Direct Testimony and Schedules
Joshua G. Rostollan

Before the Minnesota Public Utilities Commission

State of Minnesota

In the Matter of the Application of Minnesota Power
For Authority to Increase Rates for Electric Utility
Service in Minnesota

Docket No. E015/GR-26-199

Exhibit _____

# BUDGETING, COST CONTAINMENT, AND DEPRECIATION

November 2, 2026

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## I. INTRODUCTION AND QUALIFICATIONS

**Q. Please state your name and business address.**

A. My name is Joshua G. Rostollan, and my business address is 30 West Superior Street, Duluth, Minnesota 55802.

**Q. By whom are you employed and in what position?**

A. I am employed by ALLETE, Inc., doing business as Minnesota Power ("Minnesota Power" or "Company"). My current position is Manager – ALLETE Financial Reporting and Budgeting.

**Q. Please describe your educational background and work experience with ALLETE, Inc. ("ALLETE") and Minnesota Power.**

A. I graduated from the University of North Dakota in 2009 with a Bachelor of Accounting degree and am a Certified Public Accountant, licensed in Minnesota. I joined ALLETE in 2010 as an Accounting Analyst, became an Accounting Analyst Senior in 2014, and was promoted to Supervisor – Accounting, Financial Reporting and Budgeting in 2017. I assumed my current position as Manager – ALLETE Financial Reporting and Budgeting in 2021. In this position, I am responsible for budgeting and financial reporting-related matters for ALLETE. This includes technical accounting and regulatory accounting research for ALLETE as well as the preparation and filing of quarterly and annual reports to various regulators, such as the Federal Energy Regulatory Commission ("FERC"). I have also served as a witness in several regulatory filings made with the Minnesota Public Utilities Commission ("Commission") and FERC.

**Q. What is the purpose of the testimony you are presenting on behalf of Minnesota Power?**

A. I present an overview of the Company's budgeting process, including the reliability of Company budgets. I also present an overview of the Company's cost containment efforts since the Company's last rate case and a discussion of certain depreciation topics.

**Q. How is your testimony organized?**

A. I first discuss Minnesota Power's budgeting process. This is followed by a description of cost containment efforts. Finally, I discuss depreciation.

**Q. Are you sponsoring any exhibits in this proceeding?**

A. Yes. I am sponsoring the following exhibits:

- MP Exhibit ___ (Rostollan), Direct Schedule 1 – 2015 through 2025 Actual Variance from Budget;
- MP Exhibit ___ (Rostollan), Direct Schedule 2 – 2023 through 2025 Budget to Actuals Comparison with 2026 Projected Year and 2027 Test Year O&M Expense by FERC Account; and
- MP Exhibit ___ (Rostollan), Direct Schedule 3 – Producer Price Index and Employee Cost Index.

## II. BUDGETING PROCESS

**Q. What is the purpose of this section of your testimony?**

A. In this section of my testimony, I provide an explanation of the Company's overall budgeting process.

### A. Overview of Budgeting Process

**Q. Please provide an overview of Minnesota Power's annual budgeting process.**

A. The annual budgeting process results in both an operating budget and a capital budget for Minnesota Power. The Company uses a "zero-based" budgeting philosophy initiated at each work area. There are currently approximately 75 departmental responsibility centers across the Company. Responsibility center budgets are first developed by the managers of each work area and then reviewed by the appropriate management. As part of this process, the budgets are correlated to the FERC account level within the Company's general ledger. The broader capital and operating budgets compiled from the individual responsibility center budgets are periodically reviewed as the budget progresses and are eventually finalized in October.

**Q. Did ALLETE undergo an acquisition transaction in 2025?**

A. Yes. On December 15, 2025, ALLETE was acquired by Canada Pension Plan Investment Board ("CPP Investments") and Global Infrastructure Partners ("GIP") (the "Acquisition").[1] As a result of the Acquisition, ALLETE became a wholly-owned subsidiary of Alloy Parent, LLC, which is in turn owned by CPP Investments and GIP (together, the "Shareholders"). The transaction established general support in a Settlement Stipulation reached by the Company and interested parties on July 11, 2025 ("Settlement Stipulation").[2] This transaction was then approved by the Commission in an Order (including the terms of the Settlement Stipulation) dated December 10, 2025 (the "Acquisition Order").[3]

**Q. Did the Commission's approval of the Acquisition contain conditions?**

A. Yes. One of the conditions of the Commission's approval of the Acquisition was that within six months, the Company had to file a petition with the Commission proposing a corporate reorganization in which entities within the Company that are not regulated utilities would be separated from Minnesota Power. That petition (the "Reorganization Application") was filed on June 1, 2026, and is pending before the Commission.[4] In the Reorganization Application, the Company proposed that Minnesota Power will become

[1] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ACQUISITION CLOSING UPDATE (Dec. 16, 2025) (eDocket No. 202512-225912-01).

[2] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, SETTLEMENT STIPULATION OF DOC, ALLETE, GIP, CPPIB (July 11, 2025) (eDocket No. 20257-220879-01).

[3] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ORDER APPROVING PETITION FOR ACQUISITION WITH CONDITIONS AND ESTABLISHING OTHER REQUIREMENTS (Dec. 10, 2025) (eDocket No. 202512-225721-01) ("Acquisition Order").

[4] *In the Matter of the Application of ALLETE, Inc., d/b/a Minn. Power, for Approval of an Internal Corporate Reorganization and Associated Affiliated Int. Agreements*, Docket No. E015/M-26-227, PETITION FOR APPROVAL (June 1, 2026) (eDocket No. 20266-232407-03).

a wholly-owned subsidiary, called Minnesota Power, Inc., of a new ALLETE holding company, called ALLETE, Inc.[5]

**Q. How did the Acquisition impact the Company's approach to developing its budgets?**

A. In general, the Acquisition did not change anything about the Company's approach to developing its budgets. The Company used the same budget process as it used in its previous rate case.

The Acquisition resulted in one compliance item relating to budgeting. One of the Acquisition conditions, Paragraph 1.23(a) of the Settlement Stipulation, requires that Minnesota Power's "senior management team shall be responsible for the day-to-day operations of Minnesota Power, including, but not limited to . . . developing budget proposals."[6] The Company has complied with this requirement: as described in more detail below, Minnesota Power developed a bottoms-up budget just as in its previous rate case, with the senior management team responsible for development and oversight of the budget.

**Q. Please describe the nature of Minnesota Power's capital budget.**

A. The annual capital budget is a detailed annual increment of the Company's long-term capital plan. The long-term capital plan (i.e., the five-year capital expenditures plan filed in Docket No. E015/S-26-136)[7] is based on the Company's projected capital needs to make significant investments in carbon-free generation, transmission projects, and other

[5] As described in the Reorganization Application, Alloy Parent, LLC will contribute all issued and outstanding stock of ALLETE, Inc. to ALLETE Holdings Inc. ("ALLETE Holding Company"). Then, ALLETE, Inc. will convert from a corporation to a Minnesota limited liability company and change the name of the company to ALLETE, LLC and subsequently to Minnesota Power, LLC, a Minnesota limited liability company, and then Minnesota Power, Inc., while the name of ALLETE Holding Company will change to ALLETE, Inc. *Id.* at Attachment A-3.

[6] Acquisition Order at Settlement Stipulation ¶ 1.23(a).

[7] *In the Matter of Petition for Approval of Minn. Power's 2026 Capital Structure Petition*, Docket No. E015/S-26-136, COMPLIANCE FILING ANNUAL REPORT – ORDER POINT 4 at 3 (March 4, 2026) (eDocket No. 20263-228938-01).

utility infrastructure to make Minnesota Power's system more reliable, resilient, safe, and clean.

**Q. How is the capital budget developed?**

A. As described above, the annual capital budget process is initiated at the work area level. For the annual capital budget, detailed project budgets are developed by project engineers or project coordinators from each work area. These detailed budgets anticipate capital purchases or work that needs to be done during the budget year, with detailed non-budget-year capital expenditures included for multi-year projects. These project budgets are reviewed and approved by management or, in some cases, sent back to the individuals responsible within the work areas for additional information to support the request before being approved by management. The annual capital budget compiled from the project budgets is reviewed as the budget progresses and is eventually finalized and approved by the ALLETE Board of Directors.

**Q. Please describe Minnesota Power's operating budget.**

A. The following components comprise Minnesota Power's annual operating budget:

- *Revenue, Kilowatt ("kW") and Megawatt-Hour ("MWh") sales* – Minnesota Power's electric service revenues are budgeted by applying the appropriate tariff rates to forecasted kW and MWh sales by customer class. The forecasted sales for all classes are based on data-intensive modeling completed for the annual Advance Forecast Report ("AFR"). The Company's AFR is filed annually with the Minnesota Department of Commerce ("Department").[8] For larger industrial and municipal customers, the AFR results are modified as necessary to reflect more recent planned usage information obtained directly from the customers. The Direct Testimony of Company witness Arik C. Forsman discusses the sales forecasting process in more detail. Other revenue not generated from MWh sales is budgeted based on the Company's expectations for the budget year.

[8] The 2026 AFR was filed on July 1, 2026 in Docket No. E-999/PR-26-11.

- *Fuel and Purchased Power* – The Company projects its fuel cost and additional purchase power requirements based on (a) expected budget period production from generating plants and (b) existing purchase power agreements. The Company uses a detailed power supply model that projects hour-by-hour and seasonal power costs based on historic trends and current generating unit outage schedules. Generation costs are developed based on historic cost models, coal and rail contracts, and anticipated dispatch from the power supply model.
- *Transmission Services Expenses* – These costs are forecasted using Midcontinent Independent System Operator, Inc. rates available at the time the budget is prepared, as well as projections for Minnesota Power's transmission rates for the budgeted year.
- *Operating and Maintenance ("O&M") Expenses – Labor and Benefits* – Labor costs are developed using current staffing levels as a starting point. Each work area then adjusts for proposed changes to staffing levels due to promotions, retirements, staffing needs, and other factors. Inflationary wage increases over the prior year are incorporated into the calculation when applicable. Benefit amounts are determined per the various plan provisions, based on factors such as percentage of pay, or are actuarially determined under the Accounting Standards Codification ("ASC") 712 Compensation—Nonretirement Postemployment Benefits and ASC 715 Compensation—Retirement Benefits. Additional information about employee compensation and benefits is provided in the Direct Testimony of Company witness Wing H. Chan.
- *O&M Expenses – Other Than Labor and Benefits* – Minnesota Power employs a zero-based budgeting philosophy for non-labor-related O&M expenses. This approach requires building the budget from a baseline, while reviewing historical amounts and activities as well as expected operational changes in the business to inform the budgeting process. In the operational areas of the Company, long-term maintenance and outage schedules are used to determine annual outage expenses.
- *Property Taxes* – Property taxes are projected based on detailed calculations combining budgeted capital expenditures and income and taking into

consideration the valuation methodology used by the Minnesota Department of Revenue in assessing the majority of Minnesota Power's property tax expense. The Direct Testimony of Company witness Rena E. Verdoljak discusses property tax considerations in more detail.

- *Depreciation and Amortization Expense* – Depreciation and amortization expenses are projected based on detailed calculations combining historic and budgeted capital additions. Depreciable lives and salvage rates for generation facilities and general plant account 3900 structures and improvements are currently under review Commission in the 2026 annual Remaining Life Depreciation Petition (Docket No. E015/D-26-327). Depreciable lives and rates for all intangible, transmission, distribution, and general plant, excluding general plant account 3900 structures and improvements, were submitted to the Commission for review in the 2026 Intangible, Transmission, Distribution, and General Plant Depreciation Petition (Docket No. E015/D-26-166).
- *Interest Expense* – Interest expense for Minnesota Power is determined by multiplying the debt component of average rate base by Minnesota Power's actual cost of debt outstanding. Allowance for Funds Used During Construction Debt is treated as a reduction of interest expense.
- *Income Taxes* – Income tax expense for Minnesota Power is developed for both current and deferred income taxes based on long-standing regulatory precedents requiring accounting for income taxes on a "stand-alone" basis. The stand-alone method calculates income taxes as if Minnesota Power were the only entity included in ALLETE's consolidated federal and unitary state income tax returns. Current income taxes are computed using budgeted pretax income adjusted for required federal and state permanent and temporary differences. Deferred income taxes are calculated using actual and budgeted temporary differences.
- *ALLETE Non-Regulated Activities and Costs Incurred on Behalf of Subsidiaries or Other Entities* – These items are segregated and are not part of Minnesota Power's regulatory and ratemaking budget.

**Q. Does the Company's budgeting process incorporate benefits of legislation such as the Inflation Reduction Act?**

A. Yes, the Company's budgeting process incorporates incentives and benefits available under legislation, such as the Inflation Reduction Act ("IRA"), to the extent they are available to the Company. This includes integrating these incentives and benefits during the assessment and selection of capital projects, development of the capital plan, and incorporating the resulting impacts into the operating budget when they are realized. The Direct Testimony of Company witness Verdoljak provides background on the IRA and changes to the IRA enacted in H.R. 1 (119th Congress).

**Q. Did the Company follow its typical processes, described above, to establish its 2027 budget?**

A. Yes, it did.

**Q. Did Minnesota Power modify the 2027 budget for purposes of establishing the revenue requirement for this rate case?**

A. Yes. Minnesota Power's 2027 budget has been modified to incorporate various regulatory considerations—such as adjustments required for ratemaking by past Commission decisions, adjustments to amortization periods, removal of items for which cost recovery is not sought, and other miscellaneous adjustments. The Direct Testimony of Company witness Amanda L. Turner discusses these modifications in more detail. In addition, employee expenses have been adjusted, which is discussed in more detail in the Direct Testimony of Company witness Michelle A. Bleicher.

**Q. Are there any Acquisition costs in the 2027 budget, which is the basis for the 2027 test year?**

A. No. Paragraph 1.40 of the Settlement Stipulation requires:

> There will be no attempt to recover Acquisition costs, transaction costs, transition costs, or the acquisition premium from utility customers. ALLETE and Minnesota Power shall not defer any transaction or transition costs. In future rate cases, Minnesota Power shall have the burden to establish through testimony and schedules that no such costs are included

> in historical expenses of the operating utility or in the determination of revenue requirement.[9]

Paragraph 1.41 of the Settlement Stipulation requires:

> Minnesota Power will have the burden to prove in its next rate case that no transaction costs, nor other costs expressly committed to in this table for exclusion from future rate cases, are included in the cost of service to be recovered from customers.[10]

Paragraph 1.55 of the Settlement Stipulation requires:

> Minnesota Power will have the burden to prove in its next rate case that no transaction costs, nor the costs identified in the Ratemaking section of this Agreement for exclusion from future rate cases, are included in the cost of service to be recovered from customers.[11]

In compliance with these requirements, no costs fitting these definitions are included in the Company's historical expenses or in the Company's calculation of the revenue requirement. All Acquisition transaction costs were identified by Company employees as they were incurred and employees were required to record their transaction-related time to a specific work order. These entries were then recorded in non-regulated FERC account 426.5 – Other Deductions, which is not included in the Company's calculation of the revenue requirement or historical regulated expenses. Transaction costs were incurred through the first quarter of 2026, and no transaction costs have been incurred or are expected to be incurred after the first quarter of 2026. The Company tracked and filed its historical transaction costs incurred through March 31, 2026, in the Company's

[9] Acquisition Order at Settlement Stipulation ¶ 1.40. *See also* Acquisition Order at Settlement Stipulation ¶ 1.40(a) ("The term 'transaction costs' shall mean the costs incurred to structure, negotiate and consummate the transaction, professional services fees, including but not limited to good will, legal fees, regulatory filing costs, investment banker fees, counsel fees, audit fees, and accounting fees, other costs historically recognized as transaction costs, and external services needed to evaluate the merger, negotiate its terms, obtain regulatory approvals, obtain shareholder approvals, and execute transaction contracts"); *and* Acquisition Order at Settlement Stipulation ¶ 1.40(b) ("The term 'transition costs' shall mean costs incurred due to the Acquisition other than transaction costs, including but not limited to: severance costs; the costs to combine, integrate, and/or align Minnesota Power, ALLETE, CPP and GIP following the transaction, including, but not limited to accounting and operating systems software integration costs; costs for moving employees (including changing headquarters); re-organization costs; bonuses or other compensation paid out as a result of the transaction; costs to terminate any duplicative leases, contracts, and operations; or financing costs to refinance existing obligations in order to achieve operational and financial synergies.").

[10] Acquisition Order at Settlement Stipulation ¶ 1.41.

[11] Acquisition Order at Settlement Stipulation ¶ 1.55.

January 9, 2026, and June 3, 2026 compliance filings (Docket No. E015/PA-24-198).[12] The Company has also continued to track transition costs since closing (just before the first quarter of 2026) and have recorded those costs to FERC account 426.5 as incurred. As a result, all Acquisition transaction and transition costs were excluded from the test year budget and historical regulated expenses. These expenses were also excluded in comparisons of the test year and historical expenses.

**Q. How do the Minnesota Power Foundation contributions in the 2027 budget compare to those approved by the Commission in the Company's last rate case?**

A. The Company's 2027 budget includes contributions of $750,000 to the Minnesota Power Foundation. See the Direct Testimony of Company witness Turner for further details. The Company's contribution of $750,000 to the Minnesota Power Foundation in the 2027 budget remains unchanged from the Company's prior rate case in 2023 (Docket No. E015/GR-23-155) ("2023 Rate Case"). This is consistent with Paragraph 1.50 of the Settlement Stipulation, which requires ALLETE's contributions to the Minnesota Power Foundation to not be reduced.[13]

**Q. Does the Company's 2027 budget include any costs for business management or consulting services from its Shareholders?**

A. No. The Company has not incurred any costs for business management or consulting services from its Shareholders and does not expect to incur such costs in 2026 or 2027. As a result, the 2027 budget does not include any costs for business management or consulting services fees from its Shareholders consistent with Paragraph 1.53 of the Settlement Stipulation.[14] If these costs are incurred in the future, the costs would be recorded to a non-regulated FERC account 417.1 and would be excluded from the test year budget for regulated expenses.

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[12] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, 30-DAY COMPLIANCE FILING (Jan. 9, 2026) (eDocket No. 20261-226702-01); *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, SUPPLEMENTAL FILING: TRANSACTION COST ACCOUNTING (June 3, 2026) (eDocket No. 20266-232509-01).

[13] Acquisition Order at Settlement Stipulation ¶ 1.50.

[14] Acquisition Order at Settlement Stipulation ¶ 1.53.

**Q. Does the Company's 2027 budget include any recovery (i.e., return on capital or depreciation) for contributions to or portions of investment projects financed with the Clean Firm Technology Fund or Residential Energy Bill Mitigation Fund?**

A. No. Consistent with Paragraph 1.63(d) of the Settlement Stipulation, and Order Point 6 and Order Point 15(c) of the Acquisition Order, the 2027 budget does not include any recovery for contributions to the Clean Firm Technology Fund or Residential Energy Bill Mitigation Fund or any investments or projects financed with those funds.[15] No such projects have been implemented related to these funds to date. As a result, no capital additions, depreciation, or O&M related to these items were included in the 2027 budget.

**Q. Does the Company's 2027 budget include any recovery of costs for the annual agreed upon procedures audit by the Company's independent third-party auditors for Minnesota Power's annual affiliate interest report?**

A. No. Consistent with Paragraph 1.30 of the Settlement Stipulation and Order Point 2, the 2027 budget does not include any recovery of costs for the annual agreed upon procedures audit by the Company's independent third-party auditors for Minnesota Power's annual affiliate interest report.[16] These costs are recorded to a non-regulated FERC account 417.1 and are excluded from the test year budget for regulated expenses.

**Q. How has Minnesota Power ensured that its overall classification of expenses is appropriate and consistent with FERC requirements?**

A. Minnesota Power ensures that its overall classification of expenses is appropriate and consistent with FERC requirements in the following ways.

[15] Acquisition Order at Order Points 2, 6, and 15(c) and Settlement Stipulation ¶ 1.63. *See also In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ALLETE ACQUISITION ACCOUNTING ENTRIES (March 16, 2026) (eDocket No. 20263-229316-01).

[16] Acquisition Order at Settlement Stipulation ¶ 1.30; Acquisition Order at Order Point 2.

First, Minnesota Power maintains resources to assist employees with the appropriate FERC accounting and expense reporting. For example, the Company maintains a chart of accounts detailing the various accounting segments used for reporting, including information on FERC accounts and cost types to be used. In addition to identifying what each FERC account represents, definitions for FERC O&M accounts are listed in the chart of accounts. This chart of accounts is accessible to all employees and is updated periodically. The Company also has a chart of accounts team that is available to answer employees' questions related to the chart of accounts or other accounting-related topics, including the appropriate FERC account or cost type to use for an invoice or expense report. Members of the chart of accounts team are experienced in accounting and the Company's chart of accounts.

Second, at the beginning of the O&M budgeting process, the employees responsible for preparing portions of the O&M budget are provided guidance related to FERC accounts. This guidance emphasizes the importance of using the appropriate FERC account and provides information on where to find definitions for FERC accounts in the chart of accounts. This guidance also specifically reminds employees that Acquisition-related (transaction and transition costs), lobbying, donation, and other non-regulated expenses need to be charged to the appropriate FERC accounts for those expenses, and provides employees with additional guidance for Acquisition-related, lobbying, donations, and other non-regulated expenses to ensure they understand which types of costs should use those FERC accounts.

### B. Budgeting Results

**Q. Please discuss the accuracy of Minnesota Power's budgeting process.**

A. Overall, Minnesota Power's budgeting process has been very accurate. This is shown on MP Exhibit ___ (Rostollan), Direct Schedule 1 to my Direct Testimony, which is a comparison between Minnesota Power's budgets and actual results for the period from 2015 through 2025.

Schedule 1 shows that over the period of 2015 through 2025, Minnesota Power's actual results for key financial metrics have an average deviation between two percent and three percent from budget. However, both revenues and expenses—including the accuracy of financial estimates—can be significantly impacted by unforeseeable changes, such as the outcome of rate proceedings or a downturn in market conditions for Minnesota Power's Large Power customers. As an example, in 2020 Minnesota Power's financial metrics were significantly impacted by the COVID-19 pandemic with a significant reduction in MWh sales and margins offset by lower operating expenses.

**Q. Does the Company make changes to its O&M expenses on a real-time basis as a year progresses?**

A. Yes, to the extent reasonably possible. The Company's overall ability to perform its activities is directly impacted by changes to the retail service needs of Minnesota Power's customers. However, the Company cannot solely cut O&M expenses to fully offset reductions due to economic downturns while maintaining and investing in the reliability of the system and achieving state energy policy objectives. For example, in 2025 Cleveland-Cliffs' Minorca Mine was indefinitely idled and Hibbing Taconite was partially idled resulting in a reduction from budget in retail and municipal MWh sales while at the same time, O&M exceeded budget. The Company will continue to evaluate ongoing cost control measures and make prudent management decisions focused on customers, but may not be able to offset future economic downturns with changes to O&M.

**Q. What do you conclude regarding Minnesota Power's budgeting process and results?**

A. Minnesota Power employs a robust budgeting process built from the input of frontline employees and managers, with reviews at each stage of the budgeting process. This culture of cost containment results in budgets that are tailored to providing cost-effective service and to recognizing the limitations of the resources available to us. While Minnesota Power has experienced unexpected, significant drop-offs in revenue at times, Minnesota Power responds appropriately and as proactively as practicable to those

situations and maintains reasonable cost levels that are necessary and appropriate for the level of service that needs to be provided to the Company's customers.

### C. Evolution of O&M Budget Toward the 2027 Test Year

**Q. How has the Company's O&M budget evolved since the 2023 Rate Case?**

A. Since the Company's last rate case, the Company has worked hard to manage costs while investing in operations and maintenance of Minnesota Power's system. On the other hand, the Company has seen significantly increased costs during this period due to inflation, supply chain challenges, economic uncertainty, and the increased number of people and significant capital investments required to support the transformation of the overall system to meet the needs of Minnesota Power's customers, all while meeting or exceeding Minnesota's environmental policy goals and navigating uncertainty related to government policies on taxes, tariffs, and grants. More details about the Company's growth strategy and capital expenditure budgets are provided in the Direct Testimonies of Company witnesses Jennifer J. Cady, Daniel W. Gunderson, Joshua P. Goutermont, and Todd Z. Simmons.

**Q. Has the Company prepared a comparison between Minnesota Power's recent budgeted and actual O&M expenses and the proposed 2027 test year expenses?**

A. Yes, that comparison is attached as MP Exhibit ___ (Rostollan), Direct Schedule 2 to my Direct Testimony. Note that 2027 budget data is developed at the Total Company level.

**Q. What does Schedule 2 show about how the Company's O&M expenses for the 2027 test year compare to the Company's 2025 actual O&M expenses at the Total Company level?**

A. The 2025 actual O&M expenses were about $242.1 million, and the 2027 unadjusted test year O&M expenses are about $298.4 million, an increase of approximately $56.3 million, or 23 percent, which represents an anticipated average annual increase of around 11 percent. For reference, this compares to the increase of approximately 14 percent in the Producer Price Index by Industry: Total Manufacturing Industries ("PPI")

so far this year through September 2026 and the average increase of approximately eight percent annually in the PPI for the two years ending in September 2026.[17]

**Q. What are the main drivers of that increase?**

A. The main drivers are increases reflecting inflationary cost pressures and workforce needs to execute the clean energy transition. This primarily includes higher (a) employee compensation, which includes increased salaries, wages, incentive compensation, and headcount; (b) employee benefits and payroll taxes; and (c) contract professional services and materials. In addition, increased insurance premiums, higher employee expenses, and higher energy conservation and optimization expenses, among others, are also contributing to the expected increase.

**Q. Please explain how employee compensation, including the increases in salaries, wages, incentive compensation and headcount, is contributing to the increased O&M expense.**

A. The Company's salaries, wages, incentive compensation, and headcount are expected to be higher by approximately $22.4 million, or 12 percent annually, in 2027 compared to 2025. The increase from 2025 reflects increases in salaries, wages, employee headcount, and incentive compensation.

Approximately $6.8 million of this increase is attributable to wage increases for existing employees. Contractual increases for employees covered by collective bargaining agreements, including the International Brotherhood of Electrical Workers Local 31 collective bargaining agreement, contributed approximately $2.8 million of the increase reflecting a wage increase of 4.25 percent in 2026, with an additional 4 percent scheduled for 2027. Merit increases in compensation for non-union employees account for approximately $4.0 million of the change, with an average increase of 4.35 percent in 2026, and a 4.0 percent increase budgeted in 2027. These wage increases are similar to the change in the Employment Cost Index: Total compensation for Private industry

[17] PPI data used in these calculations is attached in MP Exhibit ___ (Rostollan), Direct Schedule 3.

workers in Utilities ("ECI") over the past several years. The ECI increased 4.14 percent in 2025 and has an average annual increase of 4.03 percent for the past three years.[18]

Incentive compensation increased approximately $6.8 million primarily due to incentive compensation targets not being met for 2025. In other words, incentive compensation increased in 2027 as compared to 2025, because the 2025 expense was considerably lower than anticipated. Excluding the impact of unmet incentive compensation targets in 2025, incentive compensation increased $1.9 million reflecting higher salaries, wages and headcount in the 2027 unadjusted test year compared to 2025.

Overall headcount growth of 13 percent, or 6 percent annually, accounts for most of the remaining $8.8 million increase. The increased headcount, wage increases, and incentive compensation are intended to ensure that the Company has a skilled workforce that can respond to the needs of its customers and continue to provide safe, reliable, and cost-effective electricity, all while working towards delivering 100 percent carbon-free energy. This includes additional employees to support expanded operations such as the Regal and Boswell solar facilities. More detail about salaries, headcount, and incentive compensation is presented in Company witness Chan's Direct Testimony.

**Q. Please explain how employee benefits and payroll taxes have contributed to the increased O&M expense.**

A. Employee benefits and payroll taxes are expected to be approximately $10.4 million higher than 2025 actuals. Medical and dental plan expenses for active employees and defined contribution plan benefits for active employees increased $3.1 million and $1.7 million, respectively, which correlate to the Company's increases in compensation and headcount. Higher pension and other postretirement plan expenses contributed approximately $2.9 million to the increase reflecting the actuarial expense for these benefits estimated for 2027 compared to 2025 actuals. More detail about these plans and expenses are presented in the Direct Testimony of Company witness Tara L. Anderson.

[18] ECI data used in these calculations is attached in MP Exhibit ___ (Rostollan), Direct Schedule 3.

Benefit-related costs have also increased $1.3 million reflecting the impact of Minnesota Paid Leave and higher payroll taxes of $1.4 million reflecting higher salaries and wages.

**Q. Please explain how contracted professional services and materials have contributed to the increased O&M expense.**

A. Contracted professional services and materials, reflecting costs incurred in multiple regulated FERC accounts, are expected to increase by approximately $12.3 million, or seven percent annually, from 2025 actuals. This compares to the increase of approximately 14 percent in the PPI so far this year through September 2026 and the average increase of approximately eight percent annually in the PPI for the two years ending in September 2026. These costs include expenses such as software and hardware maintenance, cybersecurity and cloud services, vegetation management, and maintenance outage costs at generating units, among others.

Software and hardware maintenance, cybersecurity, and cloud services contributed $2.6 million to the increase reflecting cyber technology and security efforts that enable and protect systems and data.

Vegetation management is approximately $2.1 million higher in the 2027 unadjusted test year compared to 2025 actuals, reflecting inflationary increases, increased reliability and wildfire prevention activities. The 2027 test year is also a comparatively expensive year in the multi-year maintenance cycle of circuit-trimming.

Outage costs at Boswell Energy Center are expected to be $2.0 million higher in the 2027 unadjusted test year compared to 2025 actuals. This reflects inflationary increases and outage costs for an extended five-year low pressure turbine overhaul outage on Boswell Unit 4.

Other contract and material costs reflecting inflationary increases and expected operations contributed the remaining $5.6 million reflecting higher utility operations

and corporate expenses. Such increased costs included utility resource planning, lower than expected pre-capital transformer expenditures that resulted in fewer offsetting transformer credits, external legal fees, line of credit fees, and audit costs.

More detailed information about the increased cost for vegetation management and generation maintenance is provided in the Direct Testimonies of Company witnesses Goutermont, Gunderson, and Simmons.

**Q. Can you provide more detail about how the Company's insurance expenses have increased over the last few years?**

A. Yes, the Company's insurance premiums have increased significantly from 2025 actuals. Insurance premiums have increased approximately $3.9 million, or 14 percent annually, from 2025, primarily due to higher property insurance values, increased liability exposures, and increased limits.

Property insurance premiums have increased by approximately $2.4 million primarily due to a 10 percent increase in total insurable property values driven by increased capital expenditures and inflation. Total insurable values have increased by $1.4 billion or 22 percent since 2024. Overall rates have been stable consistent with broader utility industry and insurance market trends.

The Company's liability premiums increased by approximately $1.5 million when compared to 2025 actuals, primarily due to excess and cyber premium increases and additional limits. Industry averages for excess liability renewals vary greatly. Minnesota Power experienced an average increase of 10 percent to 12.5 percent in 2023, 8 percent to 10 percent in 2024, 10 percent, in 2025, and 7.5 percent in 2026.

Over the past three years, the cyber liability market has undergone significant change. Average rate increases declined from approximately 15 percent to 20 percent in 2023, to 7.5 percent to 10 percent in 2024, before stabilizing at flat rates in 2025. Despite the stable rates, concerns surrounding attacks on critical infrastructure remained elevated,

particularly as war-related events continued to be broadly excluded under most cyber policies.

**Q. Can you discuss how the Company's employee expenses compare to 2025?**

A. Yes, the Company's employee expenses are expected to be $2.2 million higher in 2027 compared to 2025 actuals. The primary driver of this increase is for higher travel costs, increased training registration fees, and increased membership dues. More information on employee expenses can be found in the Direct Testimony of Company witness Bleicher.

**Q. What other expenses are also contributing to the expected increase from 2025 to 2027?**

A. The remaining $5.1 million is primarily driven by higher energy conservation and optimization expenses, additional support from ALLETE Renewable Resources at the Bison Wind Energy Center as Minnesota Power self-performs a larger share of its maintenance, higher rental and lease expenses such as increased costs for leased transmission lines and substation equipment owned by Superior Water, Light & Power Company and landowner payments, increased fleet vehicle costs, and higher license and permit fees at generating facilities.

**Q. What has been the Company's experience with controlling costs since the forecast used for the 2023 Rate Case?**

A. It has been challenging. Even though inflation in 2024 and 2025 was not as high as in 2021 and 2022, it has remained above pre-pandemic levels. Many aspects of the Company's O&M have been affected by this continued inflation since 2023, which negatively impacted the Company's ability to control costs. In addition, supply chains for electric utilities have experienced materially longer lead times and cost pressures for critical grid equipment such as transformers, breakers, and other electrical components. See the Direct Testimony of Company witness Diana C. McFadden for more information about these supply chain impacts.

These inflationary pressures and supply chain constraints have broadly impacted the Company's costs of providing electric service, resulting in increased prices for materials from vendors and contractors as well as lead times for procurement, increased costs for the generation fleet, escalation factors in agreements, and increased labor costs (including increases in contractors' rates). In sum, macroeconomic headwinds have caused expenses to continue increasing over the last few years, and these headwinds continue to impact the cost of service for the 2027 test year.

**Q. Has the Company worked diligently to manage costs since the 2023 Rate Case?**

A. Yes—the Company has worked diligently to contain costs to counteract the headwinds described in my previous answer. Over the past several years, the Company has continued to work with vendors, leverage internal resources when applicable, manage employee headcount, and use the competitive bidding process on all purchases above $50,000. The Company has done this while minimizing customer impacts and while working towards achieving state energy policy objectives and investing significantly in its energy infrastructure. Minnesota Power's history of prudent cost management over the past decade is demonstrated by the fact that the Company's 2027 unadjusted test year O&M expense represents an average annual increase of approximately 3.5 percent over 2017 actual O&M, including reagents, which is below the annualized inflation rate of 4.8 percent, measured using PPI, since 2017.[19] The Company has managed to maintain lower O&M levels despite the need for significant capital investments, the transformation of the generation, transmission, and distribution systems through the Energy*Forward* initiative, rising market costs of employee compensation and benefits, supply chain constraints, and overall marketplace inflation.

That said, overall inflation measured using the PPI has accelerated in 2026, with an increase of approximately 14 percent this year through September 2026. At the same time, recruiting and retaining employees with specialized, utility-specific technical or high demand skills has been increasingly difficult in recent years. During that time,

[19] PPI data used in these calculations is attached in MP Exhibit ___ (Rostollan), Direct Schedule 3.

Minnesota Power continued to work on containing costs while needing to engage new talent and resources to advance the increasing demands of system transformation, clean energy goals, and overall system safety and reliability.

More detail about inflation, cost mitigation, and supply chain challenges facing the Company is presented in the Direct Testimonies of Company witnesses Goutermont, Gunderson, Simmons, McFadden, and Chan.

**Q. Does the 2027 test year O&M budget described above and attached to your Direct Testimony represent the level of O&M included in the Company's rate request?**

A. No. The O&M budget as described above depicts the unadjusted test year budget. As described by Company witness Turner, the Company proposes a number of adjustments to Minnesota Power's regulated O&M budget that reduces the Company's 2027 test year request and the 2027 test year request is limited to MN Jurisdictional. Overall cost controls and robust budgeting process continue to keep 2027 test year costs at reasonable and prudent levels.

**Q. Do you recommend the use of multi-year averaging to develop levels of O&M expenses to include in rate requirements?**

A. No. The 2027 test year O&M is the best reflection of the anticipated O&M expenses for 2027 based on the Company's current expectations for operations and costs. The 2027 test year carefully considers system and Company nuances as well as known impacts that a multi-year, backward looking, average would ignore. Incorporating a multi-year average would disconnect the amount of O&M allowed to be collected through rates from the operational realities and costs that Minnesota Power is expected to experience going forward.

Further, there are likely going to be years from time to time where unusual market conditions have anomalous effects on Minnesota Power's finances. Indeed, several of the last ten years have presented unusual market conditions. It is more reasonable for parties to identify specific items included or excluded from the test year and discuss

whether specific adjustments should be made for those particular items. Doing so is more predictable and more closely reflects the circumstances Minnesota Power is experiencing when it files a rate case. Use of a historical average means that in every rate case, there will be argument about whether specific years ought to be included in the historical average.

## III. COST CONTAINMENT AND EFFICIENCY EFFORTS

**Q. Please describe the Company's cost control efforts, generally.**

A. As a matter of good management, the Company is always looking for opportunities to control cost increases, reduce costs, or increase efficiencies while still providing quality electric service to customers. Some of the results of these efforts can be quantified, while others are difficult or impossible to quantify individually. Several examples include cost containment and risk mitigation strategies in the Company's procurement process, use of unmanned aircraft, evolution of the Company's vegetation management program, and grid modernization project investments.

**Q. Can you provide specific examples of cost containment and risk mitigation strategies in the procurement process?**

A. Yes. The Company has implemented cost containment and risk mitigation strategies in Minnesota Power's procurement processes. For example, the Company applies a bidding process for all purchases greater than $50,000 (subject to certain exceptions, which must be documented), as mentioned above, in order to assure the best value for Minnesota Power's customers and are focused on negotiating multi-year agreements to secure materials at the best possible price. See the Direct Testimony of Company witness McFadden for a discussion of how competitive bidding, strategic sourcing, and procurement controls contain costs and manage risk.

**Q. Do the Company's cost containment and efficiency efforts include the use of unmanned aircraft?**

A. Yes. The Company has an Unmanned Aircraft System ("UAS") pilot program intended to enhance traditional means and methods of performing inspections, assessments, and

surveys of various system assets and construction projects. Currently, the Company has successfully deployed UAS technology in a wide variety of contexts: transmission, distribution, substations, communication towers, wind turbines, solar plants, storm damage, building roofs and facades, hydro flow lines and surge tanks, ash ponds, gravel and sand borrow pits, topographic surveying and modeling, boilers, stacks, silos, construction and contract management, physical security and threat assessment, and even public relations and marketing campaigns.

UAS technology provides the Company with access to high-quality, repeatable, reliable, and actionable data that is produced more safely, faster, and with less cost than traditional methods. Total avoided costs for the Company during the period of 2022 through the third quarter of 2026 resulting from the UAS program are approximately $2.5 million. The annual avoided costs have increased from $0.3 million in 2022 to $0.7 million in 2026 through the third quarter for an average annual increase of 23 percent. In addition to cost savings, the UAS program has improved system reliability, cybersecurity compliance, and physical security and emergency management compliance.

**Q. How has the evolution of the Company's vegetation management program helped contain costs and improve efficiency?**

A. Minnesota Power uses an Integrated Vegetation Management ("IVM") program that allows an industry-standard cyclical approach and includes the use of the most appropriate vegetation treatment methods based on site conditions and long-term reliability needs. The program continues to evolve with a focus on leveraging data, improving field operational efficiency, and enhancing responsiveness during and after disruptive events. The program has shifted back to a fixed-bid model with change order approval for tree removals that allows International Society of Arboriculture Certified Arborists to determine whether removal provides better long-term reliability compared to pruning to achieve required clearances. Strategic removals can reduce repeat work, improve long-term clearances, lower future maintenance costs, and reduce the likelihood of vegetation-related outages. In addition, the vegetation management costs

are managed through competitive contracting approaches, improving long-term clearances and reducing repeat pruning, using digital tools to improve productivity, and using appropriate equipment to improve efficiency while supporting safe field operations.

**Q. How have grid modernization project investments, and other system reliability investments, helped contain costs and improve efficiency?**

A. Grid modernization projects often involve the deployment of intelligence tools on the distribution system such as line sensors, motor operating switches, smart switches, fault indicators, and trip savers. Grid modernization projects are generally intended to achieve both quantifiable benefits, such as reduced customer outage time and reduced need for field deployments and restoration, as well as non-quantifiable benefits, such as improved power quality, enhanced customer experience, and increased operational visibility and control of the distribution system.

Additional information on the Company's IVM program, grid modernization projects, and other distribution investments that are expected to increase operational efficiency and reduce long-term operating and maintenance costs can be found in the Direct Testimony of Company witness Goutermont.

**Q. Is there a single total of all cost savings achieved?**

A. No. Some cost savings are permanent, some are ongoing but limited in time, and some are one-time savings or contain/avoid future cost increases rather than save on current costs. For example, multi-year agreements help control costs, but it is difficult to definitively estimate the cost impact in future years. Similarly, efficiency improvements are difficult to quantify because, in many instances, they enable an employee to take on work that otherwise would be deferred or not completed. Further, the amount of cost savings experienced by the Company with respect to individual cost controls at any given time can fluctuate, and the savings efforts are implemented at various jurisdictional levels. All of these efforts, however, are built into budgets as Minnesota Power determines the resources it needs to complete its work.

**Q. How are the savings associated with the Company's cost containment efforts incorporated into the 2027 test year?**

A. To the extent Minnesota Power expects to achieve savings from cost containment and efficiency efforts, they are factored into the work area budgets used as the basis for the 2027 test year. If not for these efforts, Minnesota Power's overall costs and budgets would be higher.

## IV. DEPRECIATION AND AMORTIZATION

**Q. How is the Company proposing to account for its depreciable lives or depreciation rates in this rate case?**

A. In this rate case, the Company is utilizing the depreciable lives and depreciation rates for its generating facilities and general plant account 3900 structures and improvements from its 2026 Remaining Life Depreciation Petition (Docket No. E015/D-26-327), filed on September 1, 2026, and currently pending before the Commission. For intangible, transmission, distribution, and general plant, excluding general plant account 3900 structures and improvements, the Company is utilizing the depreciable lives and depreciation rates as filed in its 2026 Intangible, Transmission, Distribution, and General Plant Depreciation Petition (Docket No. E015/D-26-166), which as noted above is currently pending before the Commission. This filing reflects changes to depreciation rates for much of the Company's transmission, distribution, and general plant, due to plant changes throughout 2026 and statistical parameters (average service life, net salvage, and retirement curves).

**Q. What has the Company proposed related to the depreciation rates for the dewatering costs for the Boswell ash ponds in its 2026 Remaining Life Depreciation Petition?**

A. The Company proposed to adjust depreciation rates in accordance with the dewatering costs for the Boswell ash ponds of approximately $13 million.[20] As described in the

[20] *In the Matter of Minn. Power's 2026 Remaining Life Depreciation Petition*, Docket No. E015/D-26-166, 2026 REMAINING LIFE DEPRECIATION PETITION at 15 (Sept. 1, 2026) (eDocket No. 20269-236018-01).

Direct Testimony of Company witness Simmons, federal regulations include a dewatering requirement in the decommissioning costs of coal combustion residuals. Dewatering costs were unknown for the Boswell ash ponds prior to the December 2025 decommissioning study, therefore, the Company requested this increase to its 2026 annual depreciation expense in its most recent petition. This increase is reflected in the 2027 budget.

**Q. Does the 2027 budget reflect amortization for the Taconite Harbor Energy Center's remaining depreciation expense?**

A. No. The amortization for the Taconite Harbor Energy Center's remaining depreciation expense ended December 31, 2026, so none is included in the 2027 budget. See the Direct Testimony of Company witness Turner for further details.

## V. CONCLUSION

**Q. Please summarize your Direct Testimony for the Commission's consideration.**

A. The Company has a robust annual budgeting process built from the input of employees and managers, with reviews at each stage of the budgeting process. The Acquisition did not change anything about the Company's approach to building its budgets. The Company continues to implement cost containment efforts. Overall, the Company's budgeting process continues to be very accurate and the Company works hard to manage its costs for its customers.

**Q. Does this complete your Direct Testimony?**

A. Yes.

**Minnesota Power**
**Actual Variance From Budget**
**Historical Summary**
**Total Company**

| | 2015 | | | 2016 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** |
| Gross Margins | | | | | | | | | |
| Revenue | $954,977 | $1,003,798 | | $965,424 | $1,010,294 | | $1,026,492 | $1,055,652 | |
| Expense | | | | | | | | | |
| Fuel | 127,118 | 131,690 | | 134,602 | 140,031 | | 152,764 | 127,165 | |
| Square Butte | 77,784 | 77,907 | | 73,303 | 82,360 | | 75,729 | 84,220 | |
| Other Purchased Power | 123,234 | 144,585 | | 125,025 | 123,900 | | 159,792 | 149,899 | |
| **Margins** | $626,841 | $649,616 | $(22,775) | $632,494 | $664,003 | $(31,509) | $638,207 | $694,368 | $(56,161) |
| | | | -3.51% a. | | | -4.75% b. | | | -8.09% c. |
| **Total Operating Expenses** | $443,246 | $469,602 | $(26,356) | $467,186 | $481,696 | $(14,510) | $457,218 | $504,037 | $(46,819) |
| | | | 5.61% a. | | | 3.01% | | | 9.29% c. |
| **Operating and Maintenance Expenses** | $223,232 | $243,245 | $(20,013) | $213,166 | $216,847 | $(3,681) | $216,315 | $235,564 | $(19,249) |
| (Includes Reagents) | | | -8.23% a. | | | -1.70% | | | -8.17% c. |
| **Retail and Municipal MWh Sales** | 10,059,466 | 11,093,840 | (1,034,374) | 9,830,787 | 10,464,475 | (633,688) | 10,654,217 | 10,449,547 | 204,670 |
| | | | -9.32% a. | | | -6.06% b. | | | 1.96% |

a. Taconite shut-downs due to steel imports and low taconite prices. Significant cost reduction efforts initiated to mitigate earnings impact.

b. Continued to be impacted by taconite shut-downs due to steel imports and low taconite prices.

c. Impacted by anticipated rate case outcome resulting in lower revenue and reductions in O&M to offset the impact. Depreciation expense also lower due to life extension on Boswell.

**Minnesota Powe**
**Actual Variance From Budget**
**Historical Summary**
**Total Company**

| | 2018 | | | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** |
| Gross Margins | | | | | | | | | |
| Revenue | $1,021,400 | $1,003,663 | | $1,003,730 | $985,731 | | $950,885 | $1,006,393 | |
| Expense | | | | | | | | | |
| Fuel | 141,493 | 137,090 | | 88,109 | 104,886 | | 76,291 | 102,826 | |
| Square Butte | 78,047 | 84,959 | | 82,684 | 83,428 | | 79,467 | 84,753 | |
| Other Purchased Power | 178,006 | 164,529 | | 211,828 | 176,330 | | 196,313 | 177,407 | |
| **Margins** | $623,854 | $617,085 | $6,769 | $621,109 | $621,087 | $22 | $598,814 | $641,407 | $(42,593) |
| | | | 1.10% | | | 0.00% | | | -6.64% e. |
| **Total Operating Expenses** | $473,627 | $472,896 | $731 | $450,030 | $458,251 | $(8,221) | $455,880 | $476,468 | $(20,588) |
| | | | 0.15% | | | 1.79% | | | 4.32% e. |
| **Operating and Maintenance Expenses** | $207,637 | $214,871 | $(7,234) | $186,797 | $189,113 | $(2,316) | $185,066 | $190,284 | $(5,218) |
| (Includes Reagents) | | | -3.37% d. | | | -1.22% | | | -2.74% e. |
| **Retail and Municipal MWh Sales** | 10,638,690 | 10,866,652 | (227,962) | 10,482,913 | 10,523,520 | (40,607) | 9,230,235 | 10,598,981 | (1,368,746) |
| | | | -2.10% | | | -0.39% | | | -12.91% e. |

d. Continued impact of rate case outcome resulting in further reductions in O&M to earn Minnesota Power's allowed return on equity.

e. Impacted by the 2019 coronavirus global pandemic and its impact on both customer and Minnesota Power business operations.

**Minnesota Powe**
**Actual Variance From Budget**
**Historical Summary**
**Total Company**

| | 2021 | | | 2022 | | | 2023 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** |
| Gross Margins | | | | | | | | | |
| Revenue | $1,185,385 | $1,007,161 | | $1,211,947 | $1,084,998 | | $1,197,219 | $1,239,045 | |
| Expense | | | | | | | | | |
| Fuel | 111,317 | 95,022 | | 130,451 | 87,485 | | 120,798 | 160,056 | |
| Square Butte | 82,378 | 87,835 | | 82,703 | 87,177 | | 86,163 | 84,686 | |
| Other Purchased Power | 356,583 | 215,543 | | 316,489 | 234,835 | | 266,661 | 285,453 | |
| **Margins** | $635,107 | $608,761 | $26,346 | $682,304 | $675,501 | $6,803 | $723,597 | $708,850 | $14,747 |
| | | | 4.33% | | | 1.01% | | | 2.08% |
| **Total Operating Expenses** | $493,715 | $478,894 | $14,821 | $511,234 | $506,844 | $4,390 | $524,729 | $523,056 | $1,673 |
| | | | 3.09% | | | 0.87% | | | -0.32% |
| **Operating and Maintenance Expenses** | $201,948 | $193,753 | $8,195 | $221,331 | $212,119 | $9,212 | $228,889 | $225,923 | $2,966 |
| (Includes Reagents) | | | 4.23% | | | 4.34% | | | 1.31% |
| **Retail and Municipal MWh Sales** | 10,290,153 | 9,472,719 | 817,434 | 9,789,974 | 9,653,625 | 136,349 | 9,966,133 | 9,628,373 | 337,760 |
| | | | 8.63% | | | 1.41% | | | 3.51% |

**Minnesota Powe**
**Actual Variance From Budget**
**Historical Summary**
**Total Company**

| | 2024 | | | 2025 | | | | Total All Years | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** | | **Actual** | **Budget** | **Variance** |
| Gross Margins | | | | | | | | | | |
| Revenue | $1,202,280 | $1,236,356 | | $1,257,064 | $1,270,821 | | | $11,976,803 | $11,903,912 | |
| Expense | | | | | | | | | | |
| Fuel | 105,642 | 130,230 | | 135,562 | 134,298 | | | 1,324,147 | 1,350,779 | |
| Square Butte | 87,683 | 85,767 | | 83,168 | 89,348 | | | 889,109 | 932,440 | |
| Other Purchased Power | 279,215 | 271,092 | | 278,559 | 253,456 | | | 2,491,705 | 2,197,029 | |
| **Margins** | $729,740 | $749,267 | $(19,527) | $759,775 | $793,719 | $(33,944) | | $7,271,842 | $7,423,664 | $(151,822) |
| | | | -2.61% | | | -4.28% | f. | | | **-2.05%** |
| | | | | | | | | | **Average Variance** | **-1.94%** |
| **Total Operating Expenses** | $524,139 | $553,836 | $(29,697) | $561,876 | $551,654 | $10,222 | | $5,362,880 | $5,477,234 | $(114,354) |
| | | | -5.36% | | | 1.85% | | | | **-2.09%** |
| | | | | | | | | | **Average Variance** | **2.21%** |
| **Operating and Maintenance Expenses** | $228,460 | $250,538 | $(22,078) | $248,265 | $242,547 | $5,718 | | $2,361,106 | $2,414,804 | $(53,698) |
| (Includes Reagents) | | | -8.81% | | | 2.36% | | | | **-2.22%** |
| | | | | | | | | | **Average Variance** | **-2.00%** |
| **Retail and Municipal MWh Sales** | 9,893,885 | 10,005,257 | (111,372) | 9,163,747 | 9,905,345 | (741,598) | | 110,000,200 | 112,662,334 | (2,662,134) |
| | | | -1.11% | | | -7.49% | f. | | | **-2.36%** |
| | | | | | | | | | **Average Variance** | **-2.17%** |

f. Impacted by the indefinite idling of Cleveland-Cliff's Minorca Mine and partial idling of Hibbing Taconite.

| | 2027 Unadjusted Test Year | 2026 Projected Year | 2025 Actual | 2025 Budget | 2024 Actual | 2024 Budget | 2023 Actual | 2023 Budget |
|---|---|---|---|---|---|---|---|---|
| **1. POWER PRODUCTION** | | | | | | | | |
| A. Steam Power Generation | | | | | | | | |
| Operation | | | | | | | | |
| (500) Operation Supervision | $5,917,926 | $7,061,526 | $4,705,901 | $6,678,709 | $4,937,915 | $6,501,221 | $4,678,356 | $5,671,561 |
| (501) Fuel | 159,266,667 | 127,715,049 | 143,056,503 | 142,055,200 | 112,415,097 | 137,790,866 | 127,914,279 | 167,310,858 |
| (502) Steam Expenses | 15,575,060 | 14,419,413 | 14,677,931 | 13,609,608 | 11,949,208 | 14,264,095 | 11,931,278 | 13,013,223 |
| (503) Steam from Other Sources | - | - | - | - | - | - | - | - |
| (Less) (504) Steam Transferred-Cr. | - | - | - | - | - | - | - | - |
| (505) Electric Expenses | 1,916,215 | 1,548,802 | 1,592,736 | 1,673,154 | 1,399,970 | 1,611,363 | 1,163,772 | 1,538,924 |
| (506) Misc Steam Power Expenses | 1,141,060 | 391,224 | 1,634,928 | 345,323 | 456,946 | 686,830 | 447,709 | 430,869 |
| (507) Rents | - | - | - | - | - | - | - | - |
| (509) Allowances | - | - | - | - | - | 10,000 | 71,438 | 96,000 |
| (509.1) Solar Allowance | - | - | - | - | - | - | - | - |
| (509.2) Nox Allowance | - | - | - | - | - | - | - | - |
| Total Operation | 183,816,928 | 151,136,014 | 165,667,999 | 164,361,994 | 131,159,136 | 160,864,375 | 146,206,832 | 188,061,435 |
| Maintenance | | | | | | | | |
| (510) Maint Supervision and Eng | 3,947,081 | 3,740,071 | 3,382,550 | 3,915,973 | 3,023,573 | 3,345,196 | 3,074,053 | 3,261,429 |
| (511) Maint of Structures | 578,385 | 632,643 | 999,864 | 556,828 | 907,933 | 564,519 | 757,667 | 617,235 |
| (512) Maint of Boiler Plant | 15,336,237 | 11,982,631 | 12,363,188 | 9,314,121 | 9,965,135 | 11,201,851 | 8,815,222 | 9,590,048 |
| (513) Maint of Electric Plant | 3,658,549 | 3,417,469 | 2,668,570 | 3,161,427 | 3,419,271 | 1,645,444 | 1,094,805 | 1,355,565 |
| (513.1) Maint of Compute Hardware | 496 | 496 | 126,349 | 13,634 | - | 265,080 | - | 267,750 |
| (513.2) Maint of Compute Software | 199,745 | 164,291 | - | 31,992 | - | - | - | - |
| (513.3) Maint of Communication Equip | - | - | 2,961 | - | - | - | - | - |
| (514) Maint of Misc Steam Plant | 3,610,112 | 3,127,929 | 4,533,562 | 3,007,337 | 4,661,826 | 2,863,860 | 4,255,469 | 2,807,226 |
| Total Maintenance | 27,330,605 | 23,065,530 | 24,077,044 | 20,001,312 | 21,977,738 | 19,885,950 | 17,997,216 | 17,899,253 |
| Total Steam Power Production Expenses | 211,147,533 | 174,201,544 | 189,745,043 | 184,363,306 | 153,136,874 | 180,750,325 | 164,204,048 | 205,960,688 |
| B. Nuclear Power Generation - N/A | | | | | | | | |
| C. Hydraulic Power Generation | | | | | | | | |
| (535) Operation Supervision and Eng | 959,137 | 992,070 | 578,855 | 1,025,308 | 656,763 | 1,021,792 | 665,629 | 936,630 |
| (536) Water for Power | - | - | - | - | - | - | - | - |
| (537) Hydraulic Expenses | 1,207,145 | 1,133,443 | 1,058,439 | 998,340 | 964,519 | 936,982 | 917,724 | 828,478 |
| (538) Electric Expenses | - | - | - | - | - | - | - | - |
| (539) Misc Hydraulic Power Gen | 95,224 | 79,254 | 77,145 | 72,915 | 88,796 | 62,009 | 59,896 | 49,910 |
| (540) Rents | - | - | - | - | - | - | - | - |
| Total Operation | 2,261,506 | 2,204,767 | 1,714,439 | 2,096,563 | 1,710,078 | 2,020,783 | 1,643,249 | 1,815,018 |
| Maintenance | | | | | | | | |
| (541) Maint Supervision and Eng | 199,856 | 169,477 | 193,761 | 225,016 | 218,600 | 375,188 | 165,650 | 307,327 |
| (542) Maint of Structures | 31,633 | 14,779 | 27,116 | 10,364 | 14,386 | 12,076 | 10,260 | 56,517 |
| (543) Maint of Reservoirs | 1,300,312 | 1,268,232 | 1,000,920 | 1,518,721 | 1,235,760 | 1,182,237 | 1,505,815 | 1,366,006 |
| (544) Maint of Electric Plant | 988,872 | 870,648 | 879,050 | 853,038 | 785,317 | 905,705 | 691,252 | 1,069,142 |
| (544.3) Maint of Communication Equip | - | - | 12,467 | - | - | - | - | - |
| (545) Maint of Misc Hydraulic | 1,448,101 | 1,181,780 | 1,052,180 | 1,189,052 | 975,105 | 1,265,144 | 1,001,262 | 997,124 |
| Total Maint | 3,968,774 | 3,504,916 | 3,165,494 | 3,796,191 | 3,229,168 | 3,740,350 | 3,374,239 | 3,796,116 |
| Total Hydro Power Production | 6,230,280 | 5,709,683 | 4,879,933 | 5,892,754 | 4,939,246 | 5,761,133 | 5,017,488 | 5,611,134 |
| D. Other Power Generation (wind) | | | | | | | | |
| Operation | | | | | | | | |
| (546) Operation Supervision and Eng | 612,442 | 464,386 | 93,808 | 435,237 | 376,483 | 636,286 | 415,186 | 486,472 |
| (547) Fuel | - | - | - | - | - | - | - | - |
| (548) Generation Exp | - | - | 31,553 | - | 587,936 | 208,000 | 435,214 | 160,000 |
| (549) Misc Other | 19,202 | 17,980 | (67,447) | 17,146 | 1,847,691 | 1,419,369 | 1,730,481 | 1,322,275 |
| (550) Rents | - | - | - | - | 3,266,546 | 3,425,847 | 3,279,094 | 3,233,452 |
| Total Operation | 631,644 | 482,366 | 57,914 | 452,383 | 6,078,656 | 5,689,502 | 5,859,975 | 5,202,199 |
| Maintenance | | | | | | | | |
| (551) Maint Supervision and Eng | - | - | - | - | - | - | - | - |
| (552) Maint of Structures | - | - | - | - | 323 | - | 198 | - |
| (553) Maint of Generating | 22,156 | 24,988 | 55,843 | 22,339 | 11,586,188 | 11,763,329 | 11,172,128 | 10,999,840 |
| (554) Maint of Misc | 252 | 252 | 220,076 | 17,986 | (9,919,041) | 3,142,290 | 2,329,747 | 2,863,124 |
| Total Maint | 22,408 | 25,240 | 275,919 | 40,325 | 1,667,470 | 14,905,619 | 13,502,073 | 13,862,964 |
| Total Other Power Production | 654,052 | 507,606 | 333,833 | 492,708 | 7,746,126 | 20,595,121 | 19,362,048 | 19,065,163 |

| | 2027 Unadjusted Test Year | 2026 Projected Year | 2025 Actual | 2025 Budget | 2024 Actual | 2024 Budget | 2023 Actual | 2023 Budget |
|---|---|---|---|---|---|---|---|---|
| E. Other Power Supply Expenses | | | | | | | | |
| (555) Purchased Power | 267,248,859 | 357,226,848 | 361,727,283 | 342,803,700 | 366,898,294 | 356,858,507 | 352,824,169 | 370,139,203 |
| (556) System Control and Dispatch | 443,790 | 111,968 | 372,654 | 79,539 | 334,428 | 287,920 | 62,531 | 115,952 |
| (557) Other Expenses | 2,246,278 | 1,810,748 | 1,602,036 | 1,628,188 | 1,394,392 | 1,413,020 | 1,419,557 | 1,266,887 |
| Total Other Power Supply | 269,938,927 | 359,149,564 | 363,701,973 | 344,511,427 | 368,627,114 | 358,559,447 | 354,306,257 | 371,522,042 |
| F. Solar Generation | | | | | | | | |
| Operation | | | | | | | | |
| (558.1) Operationg Supervision and Engineering | 225,462 | - | - | - | - | - | - | - |
| (558.2) Solar panel generation and other plant operating expenses | 244,150 | - | - | - | - | - | - | - |
| (558.4) Rents | 411,080 | 29,354 | - | 28,624 | - | - | - | - |
| Total Operation | 880,692 | 29,354 | - | 28,624 | - | - | - | - |
| Maintenance | | | | | | | | |
| (558.7) Maint. of Solar Panels, Structures, and Equip | 1,073,049 | 88,740 | 57,381 | 193,619 | - | - | - | - |
| (558.9) Maint. Of Computer Software | 27,900 | - | - | - | - | - | - | - |
| (558.11)Maintenance of Miscellaneous Solar Generation Plant | - | - | 3,139 | - | - | - | - | - |
| Total Maintenance | 1,100,949 | 88,740 | 60,520 | 193,619 | - | - | - | - |
| Total Solar Generation | 1,981,641 | 118,094 | 60,520 | 222,243 | - | - | - | - |
| G. Wind Generation | | | | | | | | |
| Operation | | | | | | | | |
| (558.13) Operation Supervision and Engineering | - | - | 371,762 | - | - | - | - | - |
| (558.14) Wind Turbine Generation and Other Plant | 12,300,114 | 7,444,036 | 12,109,872 | 1,993,990 | - | - | - | - |
| (558.16) Rents | 3,479,172 | 3,416,204 | 3,769,806 | 3,354,728 | | | | |
| Total Operation | 15,779,286 | 10,860,240 | 16,251,440 | 5,348,718 | - | - | - | - |
| Maintenance | | | | | | | | |
| (558.19) Maint. of Wind Turbines, Structures, and Equip | 755,034 | 5,156,640 | 3,692,633 | 5,176,596 | - | - | - | - |
| (558.23) Maint of Misc Wind Generation Plant | 1,911,505 | 3,577,843 | 44,083 | 2,815,492 | - | - | - | - |
| (558.24) Maint of Wind Gen Plant | - | - | - | - | - | - | - | - |
| Total Maintenance | 2,666,539 | 8,734,483 | 3,736,716 | 7,992,088 | - | - | - | - |
| Total Wind Generation | 18,445,825 | 19,594,723 | 19,988,156 | 13,340,806 | - | - | - | - |
| Total Power Production Expenses | 508,398,258 | 559,281,214 | 578,709,458 | 548,823,244 | 534,449,360 | 565,666,026 | 542,889,841 | 602,159,027 |

| | 2027 Unadjusted Test Year | 2026 Projected Year | 2025 Actual | 2025 Budget | 2024 Actual | 2024 Budget | 2023 Actual | 2023 Budget |
|---|---|---|---|---|---|---|---|---|
| **2. TRANSMISSION** | | | | | | | | |
| Operation | | | | | | | | |
| (560) Operation Supervision and Eng | 3,770,583 | 4,538,406 | 2,810,946 | 4,100,001 | 3,042,295 | 4,586,878 | 3,264,167 | 3,900,275 |
| (561.1) Load Dispatch-Reliability | 2,151,470 | 1,728,211 | 1,851,578 | 1,695,083 | 1,537,796 | 1,776,233 | 1,531,339 | 1,638,091 |
| (561.2) Load Dispatch-Monitor Trans | 4,109,406 | 4,241,083 | 3,208,676 | 4,764,135 | 4,245,516 | 4,937,364 | 4,298,369 | 4,822,276 |
| (561.3) Load Dispatch-Transmission Service and Sch | - | - | 10,543 | - | - | - | - | - |
| (561.4) Sch, Sys Control and Dispatch | 3,378,848 | 3,265,115 | 2,448,563 | 2,319,474 | 2,201,935 | 2,221,766 | 1,759,420 | 1,838,177 |
| (561.5) Reliability, Planning Dev | 893,796 | 822,342 | 616,649 | 798,232 | 670,291 | 847,388 | 627,514 | 968,608 |
| (561.6) Trans Ser Studies | - | - | - | - | - | - | - | - |
| (561.7) Gen Inter Studies | - | - | - | - | - | - | - | - |
| (561.8) Reliab, Planning Dev Ser | 242,948 | 234,771 | 176,058 | 166,777 | 158,325 | 159,750 | 126,507 | 132,170 |
| (562) Station Expenses | - | - | 58,564 | 11,866 | (1,676) | 120,998 | 86,938 | 106,672 |
| (563) Overhead Line Expenses | - | - | - | - | - | - | - | - |
| (564) Underground Line Expenses | - | - | - | - | - | - | - | - |
| (565) Trans of Electricity by Others | 101,539,219 | 120,358,068 | 74,749,382 | 68,363,909 | 62,372,759 | 63,515,241 | 85,741,775 | 66,973,655 |
| (566) Misc Trans Expenses | 533,278 | 372,906 | 538,543 | 414,300 | 740,906 | 714,562 | 598,328 | 767,795 |
| (567) Rents | 4,403,256 | 4,398,000 | 4,118,351 | 3,713,844 | 3,646,530 | 3,166,496 | 3,383,181 | 3,130,654 |
| Total Operation | 121,022,804 | 139,958,902 | 90,587,853 | 86,347,621 | 78,614,677 | 82,046,676 | 101,417,538 | 84,278,373 |
| Maintenance | | | | | | | | |
| (568) Maintenance Supervision and Engineering | - | - | - | 4,826 | - | 4,418 | - | 4,110 |
| (569) Maint of Structures | 41,416 | 53,354 | 45,228 | 54,712 | 41,020 | - | 22,687 | - |
| (569.1) Maint of Computer Hardware | 61,500 | 60,080 | 120,721 | - | - | - | - | - |
| (569.2) Maint of Computer Software | 447,000 | 489,644 | 477,017 | - | - | - | - | - |
| (569.3) Maint of Com Equipment | 2,526,488 | 2,506,570 | 1,757,034 | 3,038,510 | 2,310,943 | 2,319,774 | 2,432,698 | 2,323,034 |
| (569.4) Maint of Misc Regional Transmission Plant | - | - | - | - | - | - | - | - |
| (570) Maint of Station Equip | 4,653,330 | 3,602,488 | 5,333,484 | 3,251,142 | 5,554,092 | 5,004,032 | 4,950,380 | 4,223,630 |
| (571) Maint of Overhead Lines | 6,686,637 | 4,920,757 | 4,786,153 | 5,529,711 | 4,986,289 | 5,305,268 | 4,820,674 | 5,196,310 |
| (572) Maint of Underground Lines | - | - | - | - | - | - | - | - |
| (573) Maint of Misc Trans Plant | - | - | - | - | - | - | - | - |
| Total Maintenance | 14,416,371 | 11,632,893 | 12,519,637 | 11,878,901 | 12,892,344 | 12,633,492 | 12,226,439 | 11,747,084 |
| Total Transmission Expenses | 135,439,175 | 151,591,795 | 103,107,490 | 98,226,522 | 91,507,021 | 94,680,168 | 113,643,977 | 96,025,457 |
| **3. REGIONAL MARKET EXPENSES - N/A** | | | | | | | | |
| **4. ENERGY STORAGE EXPENSES** | | | | | | | | |
| (578.1) Maintenance Supervision and Engineering | 7,384 | - | - | - | - | - | - | - |
| **5. DISTRIBUTION** | | | | | | | | |
| Operation | | | | | | | | |
| (580) Operation Super and Eng | 1,248,968 | 1,276,754 | 1,004,823 | 938,748 | 1,155,751 | 1,108,924 | 1,049,565 | 1,108,650 |
| (581) Load Dispatching | 889,240 | 651,522 | 442,362 | 566,492 | 465,715 | 525,100 | 542,836 | 566,745 |
| (582) Station Expenses | - | - | - | - | - | - | - | - |
| (583) Overhead Line Expenses | 400,016 | 248,256 | 483,468 | 235,801 | 345,106 | 235,130 | 267,353 | 457,798 |
| (584) Underground Line Expenses | 123,378 | 110,907 | 140,239 | 88,413 | 121,527 | 77,782 | 100,637 | 72,776 |
| (585) Street Lighting and Signal | 10,546 | 22,546 | 8,984 | 21,345 | 12,827 | 123,564 | 8,727 | 116,870 |
| (586) Meter Expenses | 1,024,188 | 1,427,662 | 942,979 | 460,370 | 1,450,528 | 1,757,326 | 1,012,008 | 1,687,110 |
| (587) Customer Installations | - | - | 6,114 | - | 7,232 | - | 5,655 | - |
| (588) Misc Expenses | 8,413,349 | 7,428,471 | 6,817,052 | 6,612,938 | 6,343,430 | 5,996,157 | 7,752,893 | 6,596,039 |
| (589) Rents | 78,665 | 78,665 | 79,080 | 78,702 | 78,896 | 78,664 | 78,669 | 78,664 |
| Total Operation | 12,188,350 | 11,244,783 | 9,925,101 | 9,002,809 | 9,981,012 | 9,902,647 | 10,818,343 | 10,684,652 |
| Maintenance | | | | | | | | |
| (590) Maint Supervision and Eng | 647,465 | 973,461 | 634,056 | 1,028,476 | 646,768 | 967,344 | 713,036 | 964,058 |
| (591) Maint of Structures | - | - | - | - | - | - | - | - |
| (592) Maint of Station Equip | - | - | 59,926 | - | 18,779 | 3,000 | 28,852 | 3,000 |
| (592.3) Maint of Computer Software | 66,132 | 90,648 | 62,565 | 131,756 | - | - | - | - |
| (592.4) Maint of Communication Equipment | 273,728 | - | 208,634 | - | - | - | - | - |
| (593) Maint of Overhead Lines | 18,365,484 | 14,752,898 | 13,568,051 | 14,969,700 | 14,351,552 | 15,314,376 | 13,885,839 | 13,721,764 |
| (594) Maint of Underground Lines | 2,897,523 | 2,264,759 | 2,401,432 | 1,800,514 | 2,239,514 | 1,844,414 | 2,228,287 | 1,807,615 |
| (595) Maint of Line Transformers | - | - | 1,847 | - | - | - | - | - |
| (596) Maint of Street Lightning | 14,297 | 23,098 | 13,030 | 22,533 | 14,911 | 32,562 | 14,629 | 28,590 |
| (597) Maint of Meters | - | - | - | - | - | - | - | - |
| (598) Maint of Misc Dist Plant | 1,176,466 | 1,047,787 | 667,938 | 1,011,099 | 763,772 | 1,267,340 | 700,268 | 1,047,540 |
| Total Maintenance | 23,441,095 | 19,152,651 | 17,617,479 | 18,964,078 | 18,035,296 | 19,429,036 | 17,570,911 | 17,572,567 |
| Total Distribution Expenses | 35,629,445 | 30,397,434 | 27,542,580 | 27,966,887 | 28,016,308 | 29,331,683 | 28,389,254 | 28,257,219 |

| | 2027 Unadjusted Test Year | 2026 Projected Year | 2025 Actual | 2025 Budget | 2024 Actual | 2024 Budget | 2023 Actual | 2023 Budget |
|---|---|---|---|---|---|---|---|---|
| **6. CUSTOMER ACCOUNTS EXPENSES** | | | | | | | | |
| Operation | | | | | | | | |
| (901) Supervision | - | - | - | 54,992 | 5,966 | 55,874 | 42,468 | 53,660 |
| (902) Meter Reading Expenses | 326,390 | 372,600 | 295,918 | 422,684 | 304,950 | 413,946 | 347,831 | 384,806 |
| (903) Customer Records and Collections | 6,401,944 | 4,678,253 | 5,385,872 | 5,403,342 | 4,948,706 | 5,205,364 | 4,899,342 | 5,155,296 |
| (904) Uncollectible Accounts | 750,000 | 1,050,000 | 642,659 | 1,050,996 | 733,478 | 1,261,712 | 620,251 | 1,255,812 |
| (905) Misc. Customer Accounts Expense | - | - | - | - | - | - | - | - |
| Total Customer Accts Expenses | 7,478,334 | 6,100,853 | 6,324,449 | 6,932,014 | 5,993,100 | 6,936,896 | 5,909,892 | 6,849,574 |
| **7. CUSTOMER SERVICE AND INFORM EXP** | | | | | | | | |
| Operation | | | | | | | | |
| (907) Supervision | - | - | - | - | - | - | - | - |
| (908) Customer Assistance Exp | 16,916,630 | 14,819,188 | 15,217,036 | 16,408,272 | 11,020,893 | 13,066,380 | 12,391,638 | 13,758,264 |
| (909) Informational and Instructional Expense | 5,004 | 7,996 | 23,568 | 26,014 | 19,495 | 43,074 | 14,431 | 25,972 |
| (910) Misc Customer Service Exp | - | - | - | - | - | - | - | - |
| Total Customer Service and Info Exps | 16,921,634 | 14,827,184 | 15,240,604 | 16,434,286 | 11,040,388 | 13,109,454 | 12,406,069 | 13,784,236 |
| **8. SALES EXPENSE** | | | | | | | | |
| Operation | | | | | | | | |
| (911) Supervision | - | - | - | - | - | - | - | - |
| (912) Demonstrating and Selling Expense | - | - | - | - | - | - | - | - |
| (913) Advertising Expense | - | - | (756) | 99,568 | 1,977 | 41,768 | (2,014) | 50,453 |
| (916) Misc. Sales Expense | - | - | - | - | - | - | - | - |
| Total Sales Expense | - | - | (756) | 99,568 | 1,977 | 41,768 | (2,014) | 50,453 |
| **9. ADMINISTRATIVE AND GENERAL EXPENSES** | | | | | | | | |
| Operation | | | | | | | | |
| (920) Admin and General Salaries | 43,760,521 | 39,047,770 | 28,618,933 | 28,380,252 | 32,388,285 | 33,029,063 | 32,607,450 | 26,601,683 |
| (921) Office Supplies and Expenses | 3,515,349 | 2,612,343 | 2,032,448 | 1,394,518 | 1,223,814 | 2,536,893 | 2,392,301 | 2,646,514 |
| (Less) (922) Administrative Expenses Transferred-Cr | - | - | - | - | - | - | - | - |
| (923) Outside Services Employed | 15,155,527 | 12,359,046 | 7,938,222 | 9,627,520 | 9,312,412 | 10,234,148 | 7,629,646 | 9,406,362 |
| (924) Property Insurance | 8,956,932 | 8,982,840 | 6,552,937 | 6,560,970 | 6,404,963 | 6,849,530 | 6,525,661 | 6,246,480 |
| (925) Injuries and Damages | 8,677,777 | 8,674,972 | 7,693,503 | 7,914,867 | 5,843,255 | 5,424,002 | 3,532,299 | 3,624,320 |
| (926) Employee Pensions and Benefits | 798,125 | 401,486 | 1,256,081 | 595,398 | 1,006,900 | 81,702 | 1,498,992 | (2,979,168) |
| (927) Franchise Requirements | 23,628 | 22,596 | 21,753 | 27,475 | 19,110 | 26,852 | 19,281 | 18,724 |
| (928) Regulatory Commission Expenses | 5,594,474 | 4,870,894 | 5,037,612 | 3,707,276 | 5,753,985 | 5,224,796 | 5,206,051 | 5,062,635 |
| (929) (Less) Duplicate Charges-Cr. | - | - | - | - | - | - | - | - |
| (930.1) General Advertising Exp | 479,784 | 613,808 | 509,094 | 396,321 | 328,381 | 241,048 | 300,106 | 294,817 |
| (930.2) Misc General Expenses | 1,483,824 | 2,197,977 | 2,313,524 | 2,078,354 | 2,002,755 | 2,029,388 | 1,939,382 | 1,922,113 |
| (931) Rents | - | - | - | - | - | - | - | - |
| Total Operation | 88,445,941 | 79,783,732 | 61,974,107 | 60,682,951 | 64,283,860 | 65,677,422 | 61,651,169 | 52,844,480 |
| Maintenance | | | | | | | | |
| (935) Maint of General Plant | 11,922,966 | 13,784,561 | 23,908,141 | 5,031,580 | 23,566,387 | 21,571,872 | 19,004,552 | 19,715,860 |
| (935.1) Maint of Computer Hardware | 844,212 | 1,087,091 | - | 2,091,862 | - | - | - | - |
| (935.2) Maint of Computer Software | 12,064,156 | 10,119,116 | - | 17,073,241 | - | - | - | - |
| (935.3) Maint of Communication Equipment | 2,603,568 | 1,789,930 | - | 1,216,776 | - | - | - | - |
| Total Maintenance | 27,434,902 | 26,780,698 | 23,908,141 | 25,413,459 | 23,566,387 | 21,571,872 | 19,004,552 | 19,715,860 |
| Total Adm & General Expenses | 115,880,843 | 106,564,430 | 85,882,248 | 86,096,410 | 87,850,247 | 87,249,294 | 80,655,721 | 72,560,340 |
| Total Elec Op and Maint Expenses | 819,755,073 | 868,762,910 | 816,806,073 | 784,578,931 | 758,858,401 | 797,015,289 | 783,892,740 | 819,686,306 |
| (FERC Form 1, Page 323, Line 198) | | | | | | | | |
| **Adjustments** | | | | | | | | |
| Remove: | | | | | | | | |
| Fuel *(a)* | 150,236,601 | 119,422,880 | 135,562,243 | 134,298,169 | 105,641,616 | 130,229,872 | 120,798,377 | 160,055,752 |
| Purchased Power *(b)* | 267,248,859 | 357,226,848 | 361,727,283 | 342,803,700 | 366,898,294 | 356,858,507 | 352,824,169 | 370,139,203 |
| Transmission of Electricity by Others *(c)* | 104,918,067 | 123,623,183 | 77,197,945 | 70,683,383 | 64,574,693 | 65,737,007 | 87,501,195 | 68,811,832 |
| Reagents *(d)* | 6,323,354 | 5,917,975 | 6,196,242 | 6,077,166 | 4,766,487 | 6,797,249 | 3,132,442 | 6,025,030 |
| Add: Payroll Taxes *(e)* | 7,345,691 | 7,002,350 | 5,946,429 | 5,753,661 | 6,733,755 | 6,348,252 | 6,120,319 | 5,243,184 |
| **Total Operation and Maintenance Expense** | $298,373,883 | $269,574,374 | $242,068,789 | $236,470,174 | $223,711,066 | $243,740,906 | $225,756,876 | $219,897,673 |
| *Total Including Reagents* | *304,697,237* | *275,492,349* | *248,265,031* | *242,547,340* | *228,477,553* | *250,538,155* | *228,889,318* | *225,922,703* |
| *Average Annual Increase Since 2017 ($216.3 million in 2017)* | *3.5%* | | | | | | | |

*(a) Fuel charges included in FERC accounts 501 and 503 are excluded when analyzing operation and maintenance expenses for budgeting purposes.*
*(b) Purchased Power included in FERC account 555 is excluded when analyzing operation and maintenance expenses for budgeting purposes.*
*(c) Transmission of Electricity by Others included in FERC accounts 561.4 and 565 are excluded when analyzing operation and maintenance expenses for budgeting purposes.*
*(d) Reagents included in FERC accounts 502 are excluded when analyzing operation and maintenance expenses for budgeting purposes.*
*(e) Payroll taxes included in FERC account 408.1 are included when analyzing operation and maintenance expenses for budgeting purposes.*

**Producer Price Index by Industry: Total Manufacturing Industries ("PPI")**
**Select Periods 2015-2026**

| Observation Date | Value |
|---|---|
| 2015-12-01 | 180.800 |
| 2016-12-01 | 183.900 |
| 2017-12-01 | 191.300 |
| 2018-12-01 | 195.200 |
| 2019-12-01 | 196.400 |
| 2020-12-01 | 196.700 |
| 2021-12-01 | 226.470 |
| 2022-12-01 | 245.115 |
| 2023-12-01 | 243.266 |
| 2024-09-01 | 246.339 |
| 2024-11-01 | 246.636 |
| 2024-12-01 | 246.083 |
| 2025-09-01 | 254.624 |
| 2025-12-01 | 251.883 |
| 2026-09-01 | 287.134 |

| | |
|---|---|
| Compound Annual Growth Rate 2015 to 2025 (%) | 3.4% |
| Compound Annual Growth Rate 2017 to September 2026 (%) | 4.8% |
| Compound Annual Growth Rate September 2024 to September 2026 (%) | 8.0% |
| Increase December 2025 to September 2026 (%) | 14.0% |
| Increase September 2025 to September 2026 (%) | 12.8% |

**Source:**
Federal Reserve Economic Data, Federal Reserve Bank of St. Louis
https://fred.stlouisfed.org

PCUOMFGOMFG Producer Price Index by Industry: Total Manufacturing Industries, Index Dec 1984=100, Monthly, Not Seasonally Adjusted

**Employment Cost Index: Total compensation for Private industry workers in Utilities ("ECI")**
**Select Periods 2023-2026**

| Observation Date | Value |
|---|---|
| 2023-01-01 | 166.800 |
| 2025-01-01 | 180.300 |
| 2026-01-01 | 187.763 |

| | |
|---|---|
| Compound Annual Growth Rate | |
| 2022 to 2025 (%) | 4.03% |
| Increase in 2025 (%) | 4.14% |

**Source:**
Federal Reserve Economic Data, Federal Reserve Bank of St. Louis
https://fred.stlouisfed.org

CIU2014400000000I Employment Cost Index: Total compensation for Private industry workers in Utilities, Index Dec 2005=100, Quarterly, Not Seasonally Adjusted